

STATEMENT OF PURPOSE

RS22162

The Industrial Commission is required by Idaho Code §72-523 to collect a tax each year from insurance companies and self-insured employers equal to two and one-half percent (2.5%) of the net premiums collected on all workers' compensation insurance policies written by an insurance company in Idaho (or on the premium that would have been paid for an insurance policy from the state insurance fund by a self-insured employer).

This tax is deposited in the industrial administration fund, created by Idaho Code § 72-519, and is used by the Commission for administering the worker's compensation law. The law does not provide the Commission with authority to reduce the amount of tax collected. However, in 2011 the legislature amended Idaho Code § 72-523 to allow for a temporary premium tax rate reduction (from 2.5% to 2.0%) during the period January 1, 2012 through December 31, 2013.

The Industrial Commission collects premium tax on a semi-annual basis and only completed its collections for calendar year 2012 under the reduced rate in March 2013. The expected decline in premium tax collections was somewhat mitigated by the increase in the volume of premiums written. Therefore, this proposed amendment will extend the legislature's temporary tax relief to sureties and self-insured employers through December 31, 2015. This temporary premium tax reduction will be passed on to employers providing workers compensation benefits.

FISCAL NOTE

The fiscal impact is estimated to be a \$1.6 million revenue reduction in each of FY 2015 and FY 2016 for a total impact of \$3.2 million to the industrial administration fund.

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